

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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FEA-02 FPC-01 INT-08 OMB-01 SAM-01 SCI-06 STR-08

TRSE-00 AGR-20 SIL-01 LAB-06 DRC-01 NEA-10 SAI-01

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R 131851Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8694

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: LABOR GOVERNMENT PRESERVES ITS OPTIONS ON
NORTH SEA OIL AND ENERGY POLICY

REF: LONDON 3120

BEGIN SUMMARY: NEW LABOR GOVERNMENT TOOK CAUTIOUS,
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ANODYNE APPROACH TO NORTH SEA OIL POLICY IN QUEEN'S

SPEECH. IN SUBSEQUENT DEBATE, HOWEVER, PRIME MINISTER WILSON SUGGESTED NORWEGIAN PRACTICE OF SEEKING MAJORITY PUBLIC PARTICIPATION IN OIL EXTRACTION PROCESS AND CREATION OF ONE OR MORE UK HYDROCARBON CORPORATIONS TO BUY AND POSSIBLY DISTRIBUTE AND FIX SELLING PRICES OF OIL WILL BE GIVEN ACTIVE CONSIDERATION BY HMG. LIBERAL PARTY LEADER THORPE WELCOMED STILL AMBIGUOUS PROPOSAL FOR STATE PURCHASING CORPORATION AS LONG AS PRIVATE CAPITAL CONTINUES TO BE USED FOR EXPLOITATION PROCESS. WILSON ALSO INDICATED HMG WOULD CONTINUE TO IMPLEMENT PROCUREMENT POLICY FAVORABLE TO BRITISH FIRMS COMPETING FOR NORTH SEA BUSINESS. ALTHOUGH COMPARATIVELY MODERATE LINE TAKEN BY WILSON SHOULD HELP TO AVOID OVER REACTION BY OIL COMPANIES INVOLVED IN NORTH SEA, A MEASURE OF UNCERTAINTY AND AMBIGUITY WILL EXIST UNTIL CONCRETE PROPOSALS PRESENTED AND PUT TO PARLIAMENTARY TEST. END SUMMARY.

1. NEW LABOR GOVERNMENT, REFLECTING ITS TENUOUS MINORITY STATUS, LIMITED ITS DECLARATION ON NORTH SEA OIL IN QUEEN'S SPEECH TO VAGUE PROMISE "TO ENSURE THAT OIL AND GAS FROM THE CONTINENTAL SHELF ARE EXPLOITED IN WAYS AND ON TERMS WHICH WILL CONFER MAXIMUM BENEFIT ON THE COMMUNITY, AND PARTICULARLY IN SCOTLAND AND REGIONS ELSEWHERE IN NEED OF DEVELOPMENT." SIMILARLY ANODYNE PREFACE IN QUEEN'S SPEECH NOTED THAT "AVAILABILITY AND THE PRICE OF OIL IS A PROBLEM FOR THE WHOLE WORLD.... GOVERNMENT WILL COOPERATE WITH CONSUMER AND PRODUCER COUNTRIES IN SEEKING TO ESTABLISH ARRANGEMENTS WHICH WILL BE IN THE INTERESTS OF ALL." IN SUBSEQUENT DEBATE, HOWEVER, PRIME MINISTER WILSON SOUGHT TO ANSWER IN SOME DETAIL OPPOSITION LEADER HEATH'S CRITICISMS.

2. RESPONDING TO HEATH'S POINT THAT UNCERTAINTY OF ANY KIND ABOUT NATIONALIZATION OF INDUSTRIES, SPECIFICALLY IN CONNECTION WITH NORTH SEA OIL, WILL BE DAMAGING TO INVESTMENT AND FUTURE, WILSON STATED SECRETARY OF STATE FOR ENERGY, TOGETHER WITH SEC STATE FOR SCOTLAND, IS WORKING ON PROGRAM FOR CONSULTATION WITH ALL CONCERNED WITH NORTH AND CELTIC SEAS OIL AND GAS. PRIME MINISTER NOTED THAT NORTH SEA OIL AND GAS RESERVES ARE ALREADY LIMITED OFFICIAL USE

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PUBLICLY OWNED, HAVING BEEN NATIONALIZED BY SIR ALEC DOUGLAS-HOME (IN 1964). AS TO PROCESS OF EXTRACTION, WILSON STATED "SUCCESSIVE GOVERNMENTS OF BOTH PARTIES HAVE BEEN CRITICIZED, FAIRLY, ABOUT THE GRANTING OF LICENCES. ... WE ENVISAGE MEASURES WHICH WILL ENSURE A MUCH GREATER PUBLIC SHARE IN THE BENEFITS TO BE DERIVED FROM THIS ACTIVITY. AMONG OTHER POSSIBILITIES, WE ARE CONSIDERING THE PRACTICE FOLLOWED IN NORWAY, ON THE

BASIS OF MAJORITY PUBLIC PARTICIPATION."

3. AGAIN IN REPLY TO HEATH, WILSON DECLARED "WE SHALL ENSURE THAT BRITISH INDUSTRY, PARTICULARLY IN THOSE AREAS WHERE WORK IS URGENTLY NEEDED, WILL HAVE FULL OPPORTUNITIES TO PROVIDE THE MATERIALS AND EQUIPMENT REQUIRED AND WILL BE ENCOURAGED TO TAKE THE GREATEST ADVANTAGE OF THOSE OPPORTUNITIES.

4. WILSON WENT ON TO SAY HMG SHALL ALSO CONSIDER WHETHER OIL, ONCE LANDED, SHOULD BE PURCHASED BY A

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TRSE-00 AGR-20 SIL-01 LAB-06 NEA-10 SAJ-01 IO-14

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PUBLIC AUTHORITY SUCH AS A UK HYDROCARBON CORPORATION, AS IS ALREADY CASE FOR NORTH SEA GAS. QUOTING HIS OWN CAMPAIGN SPEECH, WILSON ALSO SAID HE WAS ATTRACTED TO IDEA OF A SEPARATE BUYING CORPORATION FOR EACH AREA - ONE FOR SCOTLAND, OR EVEN SEPARATE PARTS OF SCOTLAND; ONE FOR THE NORTH EAST; ONE FOR EAST ANGLIA; AND LATER ON (WHEN CELTIC SEA PRODUCES) ONE FOR WALES.

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5. WILSON VOLUNTEERED THAT A FURTHER MATTER FOR CONSULTATION IS WHETHER AUTHORITY BUYING OIL WHEN LANDED SHOULD ALSO BE BODY REPRESENTING THE PUBLIC INTEREST WITH MAJORITY PARTICIPATION IN EXTRACTION AND DISTRIBUTION PROCESSES. SIMILARLY, HE SUGGESTED THERE IS STRONG CASE AS REGARDS DISTRIBUTION AND SELLING PRICES FOR AUTHORITY TO HAVE CONSIDERABLE FREEDOM IN FURTHERING ESSENTIAL PUBLIC POLICIES ON REGIONAL OR WIDER BASIS. WILSON

OBSERVED, AS AN EXAMPLE, IF SUCH AN

AUTHORITY FELT IT DESIRABLE ON ECONOMIC AND SOCIAL GROUNDS TO PROVIDE LOW-COST OR ASSISTED PASSENGER TRANSPORT SERVICES - POSSIBLY IN REMOTE RURAL AREAS - IT COULD ADJUST ITS GASOLINE OR DIESEL SELLING PRICES FOR THAT PURPOSE.

6. LIBERAL PARTY LEADER JEREMY THORPE COMMENTED THAT WHILE LABOR PARTY MANIFESTO CALLED FOR FULL PUBLIC OWNERSHIP, WILSON'S PROPOSALS INDICATED A MORE RECENT READING OF LIBERAL RATHER THAN LABOR MANIFESTO. THORPE NOTED THAT CERTAINLY IF STILL AMBIGUOUS PROPOSAL IS THAT PRIVATE CAPITAL SHOULD CONTINUE TO BE USED FOR EXPLOITATION OF NORTH SEA RESERVES BUT THAT THERE SHOULD BE SOME SORT OF STATE PURCHASING CORPORATION THAT WOULD BE WELCOME TO LIBERALS.

7: COMMENT: WHITEHALL CIVIL SERVANTS HAVE BEEN WORKING ON A NEW NORTH SEA TAXATION REGIME AS WELL AS LICENSING POLICY REVIEW FOR SOME TIME. WILSON'S STATEMENT THAT HYDROCARBON CORPORATION AND NORWEGIAN 'CARRIED INTEREST' APPROACHES ARE NOW ALSO TO BE GIVEN ACTIVE CONSIDERATION MAY DELAY HMG DECISIONS FOR INDEFINITE PERIOD. ALTHOUGH COMPARATIVELY MODERATE LINE TAKEN BY WILSON SHOULD HELP

TO AVOID OVER REACTION BY FIRMS INTERESTED IN NORTH
SEA, A MEASURE OF UNCERTAINTY AND AMBIGUITY WILL EXIST
UNTIL NEW GOVERNMENT PRESENTS CONCRETE PROPOSALS WHICH
ARE PUT TO PARLIAMENTARY TEST.

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Message Attributes

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